

SLND-GUARANTOR BULLETIN

#2-08

February 22, 2008

1. Common Manual Updates

Batch 145 and 146 *Common Manual* policy changes include the topics of:

Lender Fee

Consolidation Loan Verification Certificates

Student Eligibility Requirements

Additional Unsubsidized Stafford Loan Eligibility for a Dependent Student

Disclosure Requirements

Overawards

Excess Interest Rebates

Eligible Noncitizens

Teacher Certification and Courses That Use Direct Assessment

Revised Late Disbursement and Post-withdrawal Disbursement Time Frames

Application of Administrative Forbearance during the Total and Permanent Disability (TPD)

Conditional Discharge Period

Regaining Eligibility after Failure to Meet Satisfactory Academic Progress

Federal Data Matches

Definition of “Change of Control”



Policy Changes Approved

Batch 145: Proposals 984 - 990

Batch 146: Proposals 992 - 995 and 999 - 1001

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on *Common Manual*'s website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Lender Fee

The *Common Manual* has been revised to comply with statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). For loans first disbursed on or after October 1, 1993, and prior to October 1, 2007, a lender is charged a lender fee equal to 0.5% of the principal amount of each FFELP loan made. Beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made. Conforming changes have also been made to the glossary definition of "Lender Fee" in Appendix G.

Affected Sections:	3.5.A Federal Origination Fee and Lender Fee 15.1.A Agreement to Guarantee Federal Consolidation Loans Appendix G
Effective Date:	Loans first disbursed on or after October 1, 2007.
Basis:	Higher Education Act of 1965, Section 438(d), as amended by the College Cost Reduction and Access Act (P.L. 110-84).
Policy Information:	984/Batch 145
Guarantor Comments:	None.

Consolidation Loan Verification Certificates

The *Common Manual* has been revised to clarify the circumstances under which a loan holder may decline to complete a Consolidation Loan Verification Certificate (LVC). The list of extenuating circumstances has been expanded and Manual text is expanded to note the cases in which the loan holder must notify the Federal Student Aid Financial Partners staff of its decision not to complete an LVC.

Affected Sections:	15.3.C Reviewing the Loan Verification Certificate
Effective Date:	Consolidation Loan Verification Certificates (LVCs) received by a loan holder on or after May 22, 2007.
Basis:	DCL GEN-07-03/FP-07-07.
Policy Information:	985/Batch 145
Guarantor Comments:	None.

Student Eligibility Requirements

The *Common Manual* has been revised to clarify that, if the only Title IV aid applied for is a parent PLUS loan, the student is not required to certify a statement of educational purpose by completing the Free Application for Federal Student Aid (FAFSA). To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.

Affected Sections:	5.1.B Student Eligibility Requirements
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§668.32(h).
Policy Information:	986/Batch 145
Guarantor Comments:	None.

Additional Unsubsidized Stafford Loan Eligibility for a Dependent Student

Subsection 6.15.D of the *Common Manual* has been reorganized to improve the clarity of the subsection and to add another exceptional circumstance in which a dependent student is eligible to receive additional unsubsidized Stafford loan funds. Also, language is added to clarify that the school must document its reason if it refuses to certify the loan or to certify the full amount of unsubsidized Stafford loan funds for which the student is eligible.

Affected Sections: 6.15.D Additional Unsubsidized Stafford Eligibility for a Dependent Student
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 987/Batch 145
Guarantor Comments: None.

Disclosure Requirements

The *Common Manual* has been revised to remove the requirement that a lender provide, through the initial disclosure, information on how a borrower's interest rate is calculated. This information is no longer necessary as FFELP loan interest rates are currently fixed.

Affected Sections: 7.6.A General Initial Disclosure Requirements
Effective Date: Disclosures provided by the lender to a borrower on or after July 1, 2006.
Basis: §682.205(a)(2)(vii).
Policy Information: 988/Batch 145
Guarantor Comments: None.

Overawards

The *Common Manual* has been revised to clarify that an overaward may occur not only from a student's receipt of additional Title IV funds, but also from receiving additional non-Title IV financial assistance, such as a scholarship or an alternative loan.

Affected Sections: 8.6 Managing Overawards
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: HEA §428G(d)(2); §682.200; §682.604(h); and 07-08 FSA Handbook, Volume 5, Chapter 1, p. 5-6.
Policy Information: 989/Batch 145
Guarantor Comments: None.

Excess Interest Rebates

Subsection 10.9.C of the *Common Manual* is being revised to remove historic information on excess interest rebates, called "windfall profits," which were last required in 1994. This information is present in Section H.2. The information is being replaced with the current requirement for excess interest rebates, effective for loans first disbursed on or after April 1, 2006.

Affected Sections: 10.9.C Excess Interest Rebates
Effective Date: Upon approval by the Governing Board.
Basis: §682.305(d)(1).
Policy Information: 990/Batch 145
Guarantor Comments: None.

Eligible Noncitizens

The *Common Manual* is updated to include victims of human trafficking and certain relatives of such victims as eligible noncitizens for purposes of determining eligibility for Title IV assistance.

Affected Sections: 5.2.A Citizenship Data Match
Effective Date: FFELP loans certified by the school on or after May 11, 2006.
Basis: 07-08 FSA Handbook, Volume 1, Chapter 2, pp. 1-20 and 1-21; DCL GEN-06-09.

Policy Information: 992/Batch 146
Guarantor Comments: None.

Teacher Certification and Courses That Use Direct Assessment

The *Common Manual* has been revised to state that a course that uses direct assessment rather than credit hours or clock hours to measure student progress is not an eligible course for purposes of teacher certification or recertification.

Affected Sections: 5.11 Student Enrollment Requirements
Effective Date: September 8, 2006.
Basis: Higher Education Reconciliation Act of 2005; Preamble language to the *Federal Register*, dated August 9, 2006, pp. 45668-45669; 07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-5.
Policy Information: 993/Batch 146
Guarantor Comments: None.

Revised Late Disbursement and Post-withdrawal Disbursement Time Frames

The *Common Manual* has been revised to extend the time frame for the delivery of a late disbursement of loan funds to a student who has lost eligibility for a reason other than complete withdrawal. A late disbursement must now be delivered within 180 days of the date the student lost eligibility. The option for the school to obtain Department approval for a late delivery of loan funds after the 180-day period expires is eliminated. Loan funds not delivered by the end of the 180-day period may not be delivered to the student regardless of the circumstance that prevented timely delivery.

In addition, the time frame for the delivery of a post-withdrawal disbursement of FFELP loan funds has also been extended to 180 days *after the school's determination that the student withdrew*.

A new sub-subheading has been added to the text that addresses a post-withdrawal disbursement of Title IV grant funds. If outstanding charges exist on a student's account, a school may credit the student's account up to the amount of outstanding charges with any grant funds that make up the post-withdrawal disbursement. The school must deliver directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The school must deliver a post-withdrawal disbursement of Title IV grant funds as soon as possible, but no later than 45 days after the date of the school's determination that the student withdrew. There is no requirement that a school obtain the student's permission before making a post-withdrawal disbursement of grant funds.

Affected Sections: 8.7.E Late Delivery
9.5.A Return Amounts for Title IV Grant and Loan Programs
Effective Date: Late disbursements delivered by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
Post-withdrawal disbursements delivered by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
Basis: §668.22(a)(5)(ii)(B)(1); §668.22(a)(5)(iii)(C); §668.164(g)(4)(i); Preamble to the *Federal Register*, dated November 1, 2007, Volume 72, pp. 62018, and 62027-62029.
Policy Information: 994/Batch 146
Guarantor Comments: None.

Application of Administrative Forbearance during the Total and Permanent Disability (TPD) Conditional Discharge Period

The *Common Manual* has been revised to provide policies related to the application of an administrative forbearance to a loan during a time when a nondisabled comaker is solely responsible for the repayment of a loan. The administrative forbearance may be applied in conjunction with a period of authorized deferment to satisfy a period of delinquency that remains outstanding after the application of an authorized deferment.

Revised policy provides that the administrative forbearance may not begin earlier than the date the loan holder receives the disabled comaker's loan discharge application, or the notification from the guarantor that a loan discharge application has been submitted to the guarantor, whichever is earlier. The policy further explains that the administrative forbearance may not end later than the date the lender receives notification of the final discharge determination.

Affected Sections: 11.1.A General Deferment Eligibility Criteria
11.19.F Forbearance of a Loan for a Comaker during the TPD Conditional Period
13.8.F Total and Permanent Disability

Effective Date: Administrative forbearances processed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

Basis: *Conditional Disability Discharge: Joint Consolidations, PLUS Co-Borrowers, and Disabled Endorsers* dated August 2006. This document was developed by the Department in cooperation with NCHelp's Default Aversion and Claims Standardization (DACS) subcommittee and is located on the Department's Conditional Disability Discharge Unit's (CDD) Website at <http://www.fsacollections.ed.gov/contractors/ga/cdd/index.asp>. The document was updated with minor revisions and republished in November 2006.

Policy Information: 995/Batch 146

Guarantor Comments: None.

Regaining Eligibility after Failure to Meet Satisfactory Academic Progress

The *Common Manual* is being updated to clarify that, when a borrower regains Stafford or PLUS loan eligibility after a loss of eligibility due to the student's failure to make satisfactory academic progress, a school may certify a loan retroactive to the beginning of the current period of enrollment, *unless* the school's written satisfactory academic progress policy provides for reinstatement of eligibility at a later point.

Affected Sections: 6.2 Determining the Loan Period

Effective Date: Publication date of the 96-97 FSA Handbook.

Basis:

Policy Information: 999/Batch 146

Guarantor Comments: None.

Federal Data Matches

The *Common Manual* has been updated to reflect current form names and numbers that are used for verification of citizen or eligible noncitizen status.

Affected Sections: 5.2.A Citizenship Data Match

Effective Date: Implementation of a federal citizenship form is determined by the Department.

Basis: None.

Policy Information: 1000/Batch 146

Guarantor Comments: None.

Definition of "Change of Control"

The definition of "change of control" has been amended to state that a school that changes status from a for-profit entity to a nonprofit entity, or vice versa, is also considered to have undergone a change of control. A school in this circumstance is required to perform the administrative tasks applicable to any school that undergoes a change of control in order to retain its eligibility to participate in the Title IV programs.

Affected Sections: Appendix G

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: 95-96 FSA Handbook, Chapter 3, Section 10.

Policy Information: 1001/Batch 146

Guarantor Comments: None.